

**Flint Hills**  
**BEEF FEST**

Emporia, Kansas



# *Beef-Cattle*

# *Industry Outlook*

**August 22, 2014**

**Glynn Tonsor**

**Dept. of Agricultural Economics Kansas State University**



Kansas State Research & Extension

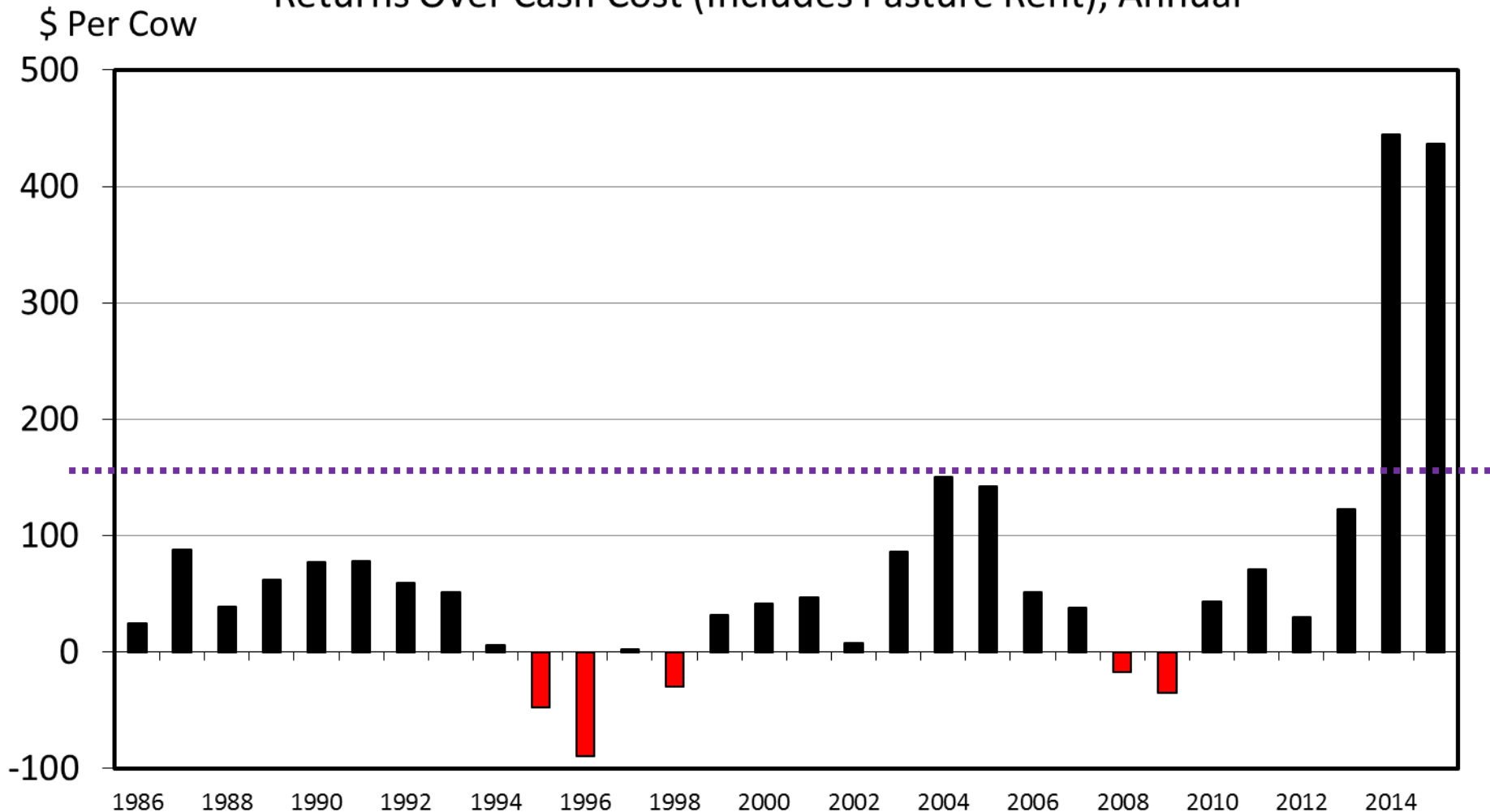
[www.agmanager.info](http://www.agmanager.info)

# Overarching Beef Industry Economic Outlook

- Supplies
  - Continued pull down, both in # of head & beef lbs
    - Mixed expansion signals
- Demand
  - Confusing yet positive: Q2.2014 best since Q4.2004
    - Reinforced by record setting pork demand
- Combined:
  - “Historic” price levels, excitement, & uncertainty...

# ESTIMATED AVERAGE COW CALF RETURNS

Returns Over Cash Cost (Includes Pasture Rent), Annual



Data Source: USDA-AMS, Compiled and Analysis by LMIC

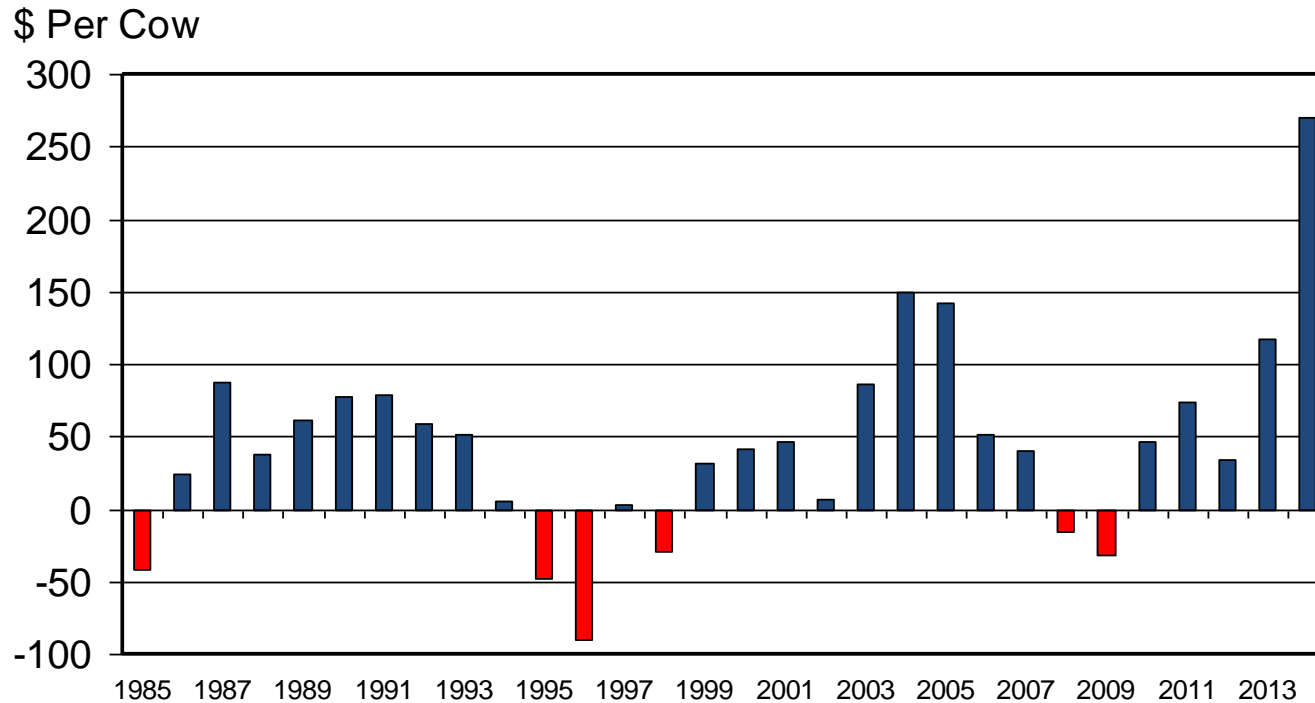
Livestock Marketing Information Center

C-P-66

07/16/14

# What will it take to trigger herd expansion?

## ESTIMATED AVERAGE COW CALF RETURNS Returns Over Cash Cost (Includes Pasture Rent), Annual



Livestock Marketing Information Center

Data Source: USDA-AMS & USDA-NASS, Compiled & Analysis by LMIC

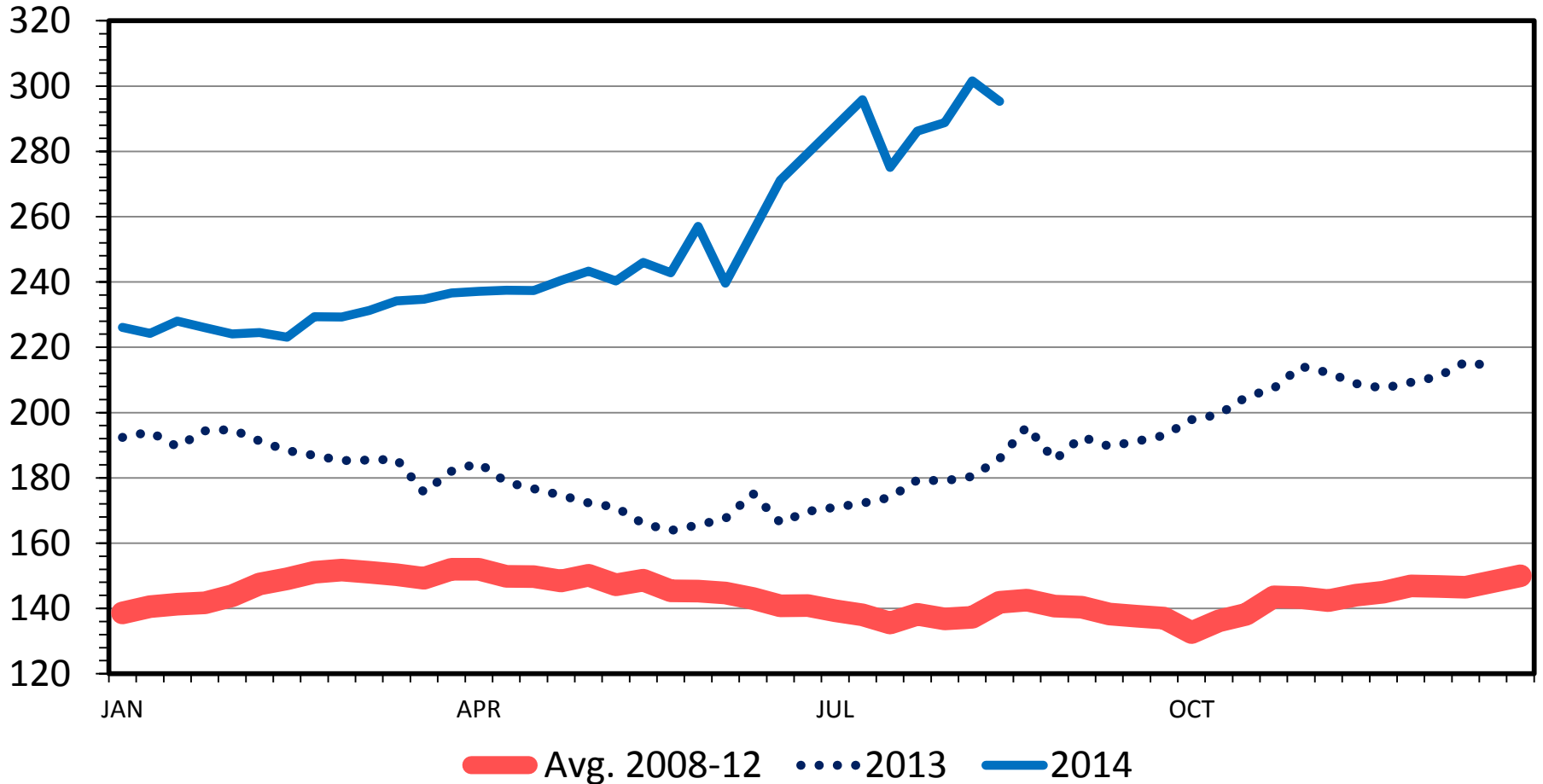
C-P-66

07/31/13

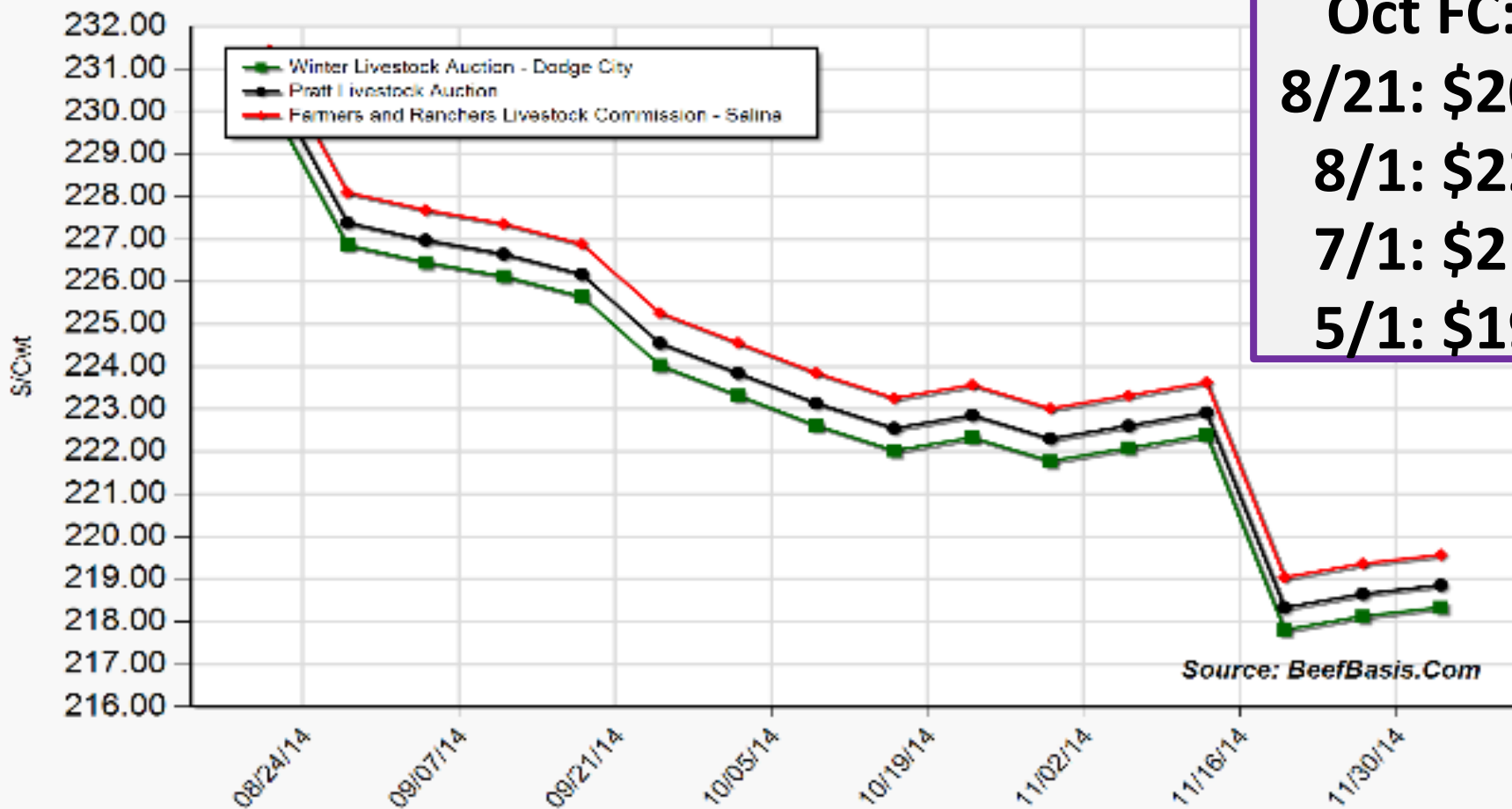
# MED. & LRG. #1 STEER CALF PRICES

400-500 Pounds, Southern Plains, Weekly

\$ Per Cwt.



Projected Price for 550 Lb Steer at Selected Kansas Auctions

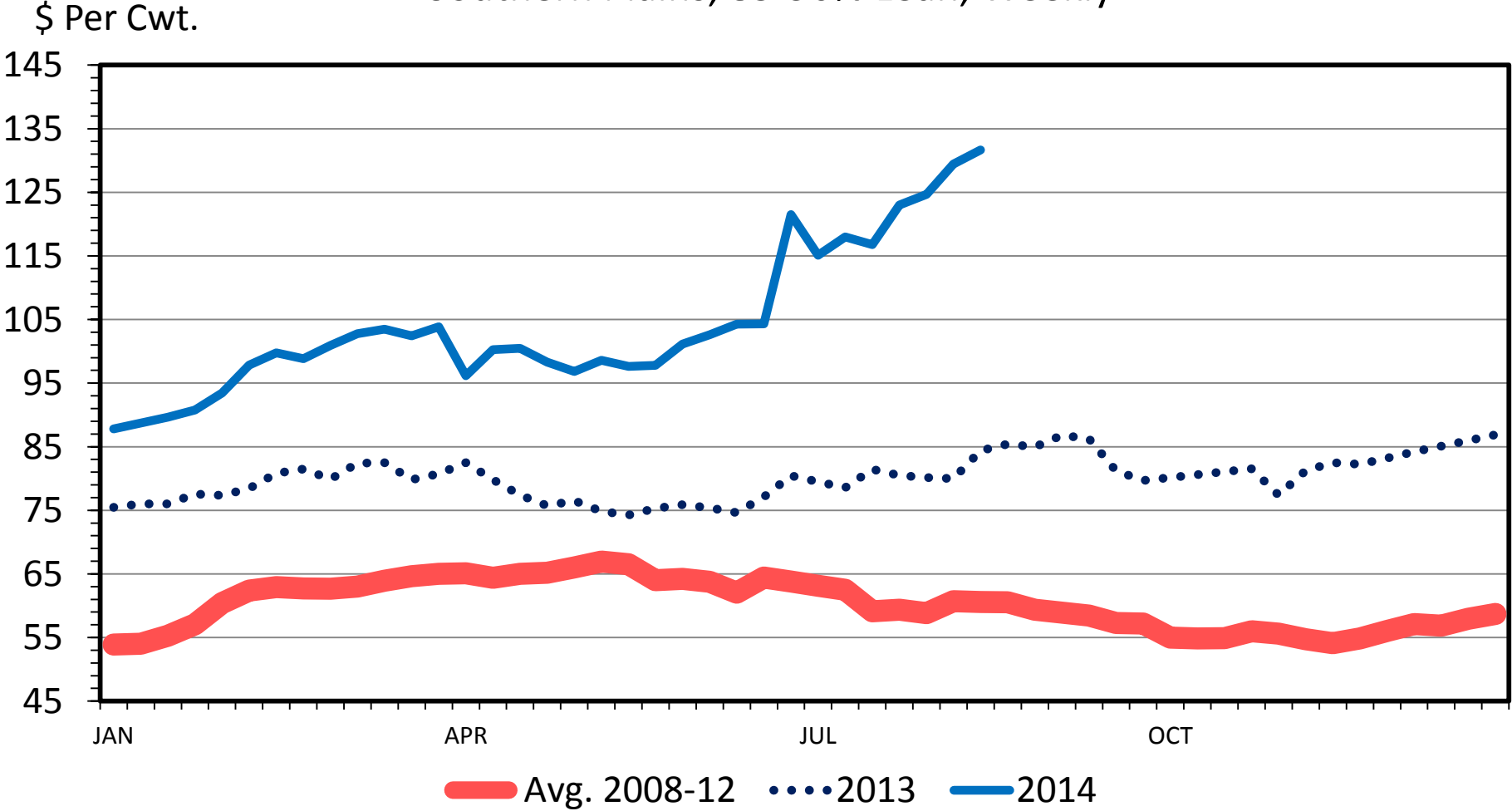


**Oct FC:**  
**8/21: \$209**  
**8/1: \$220**  
**7/1: \$215**  
**5/1: \$190**

Source: BeefBasis.Com

# SLAUGHTER COW PRICES

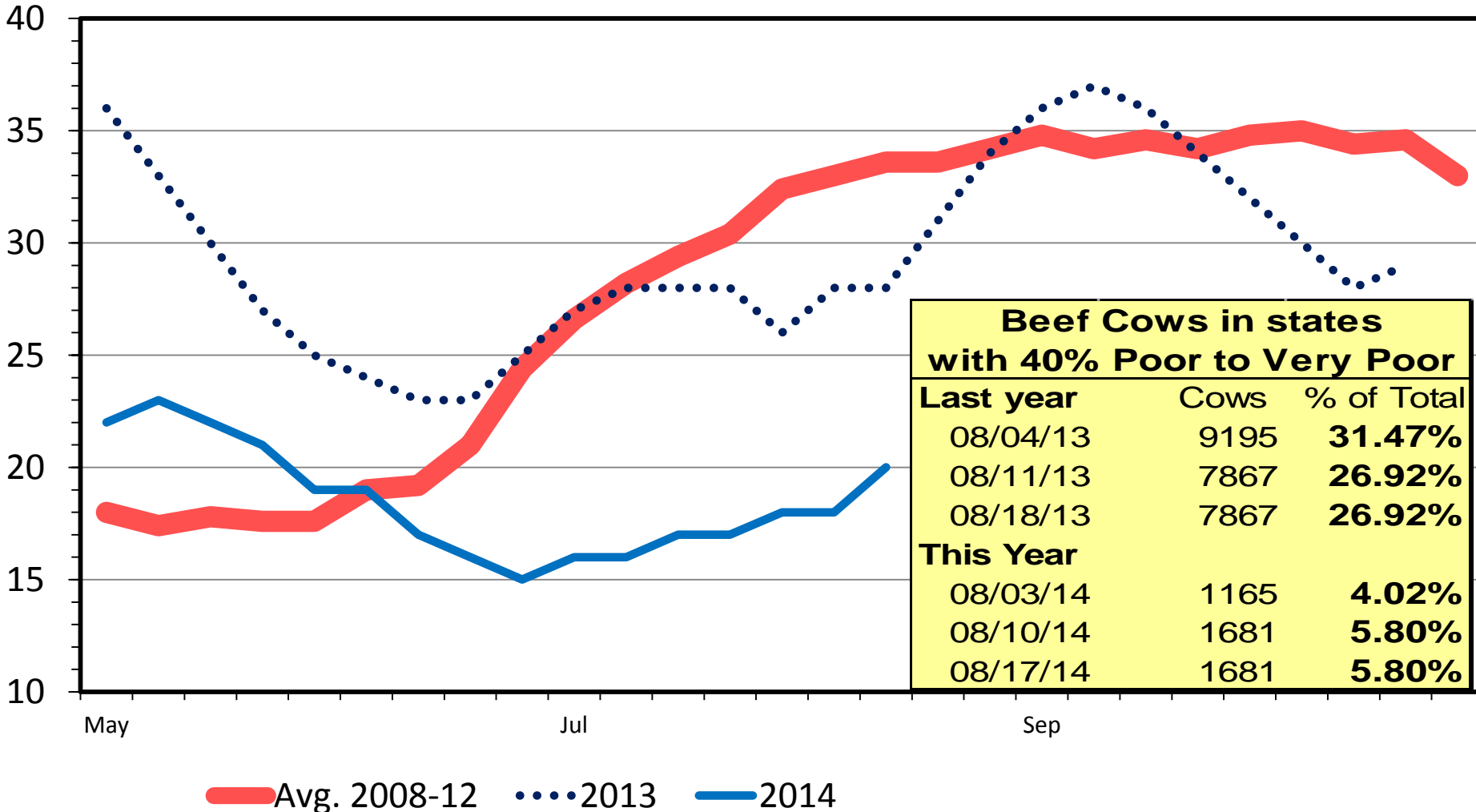
## Southern Plains, 85-90% Lean, Weekly



# US RANGE AND PASTURE CONDITION

Percent Poor and Very Poor, Weekly

Percent

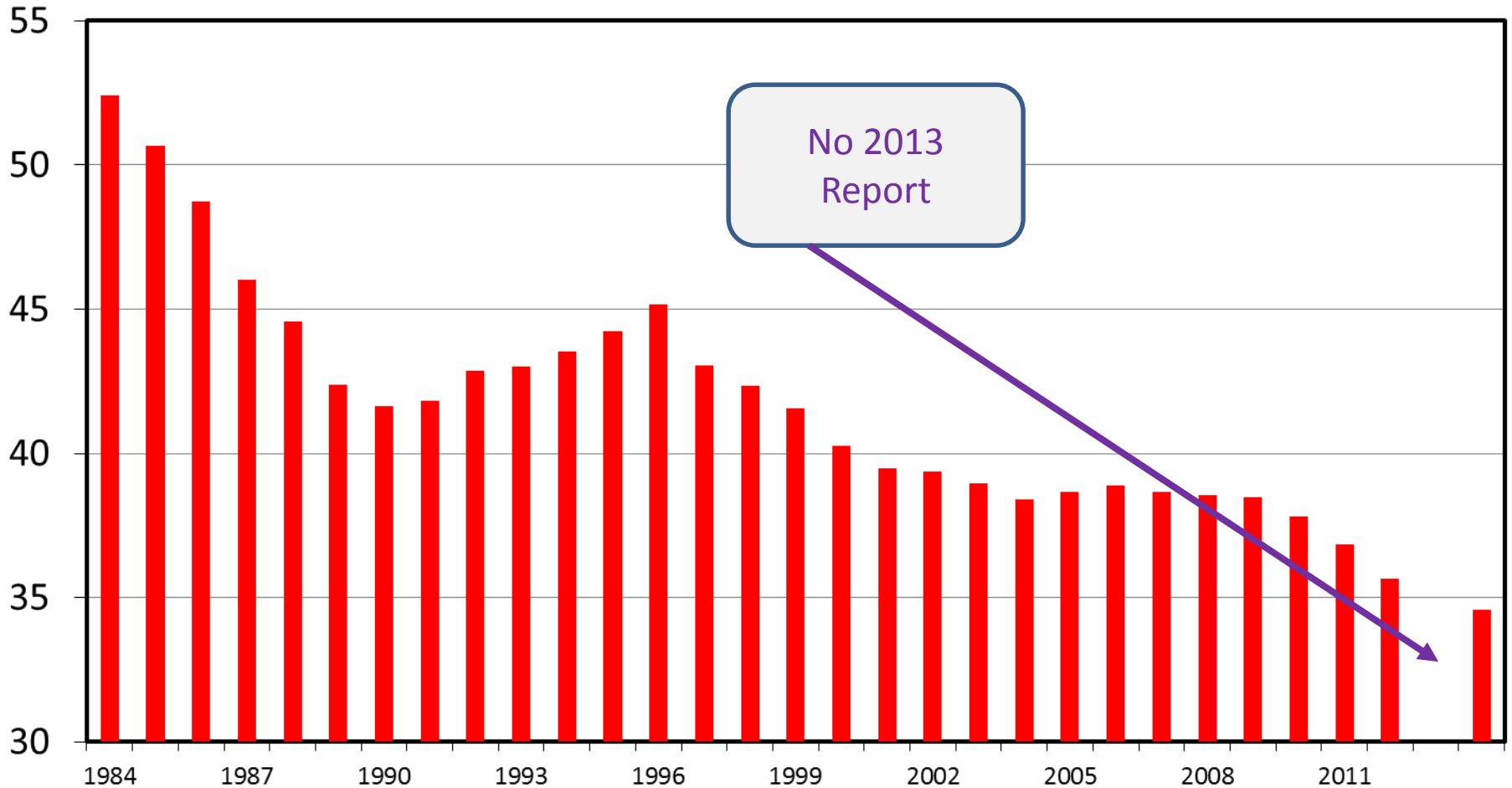




# JULY 1 FEEDER CATTLE SUPPLIES

Residual, Outside Feedlots, U.S.

Mil. Head



Data Source: USDA-NASS

Livestock Marketing Information Center

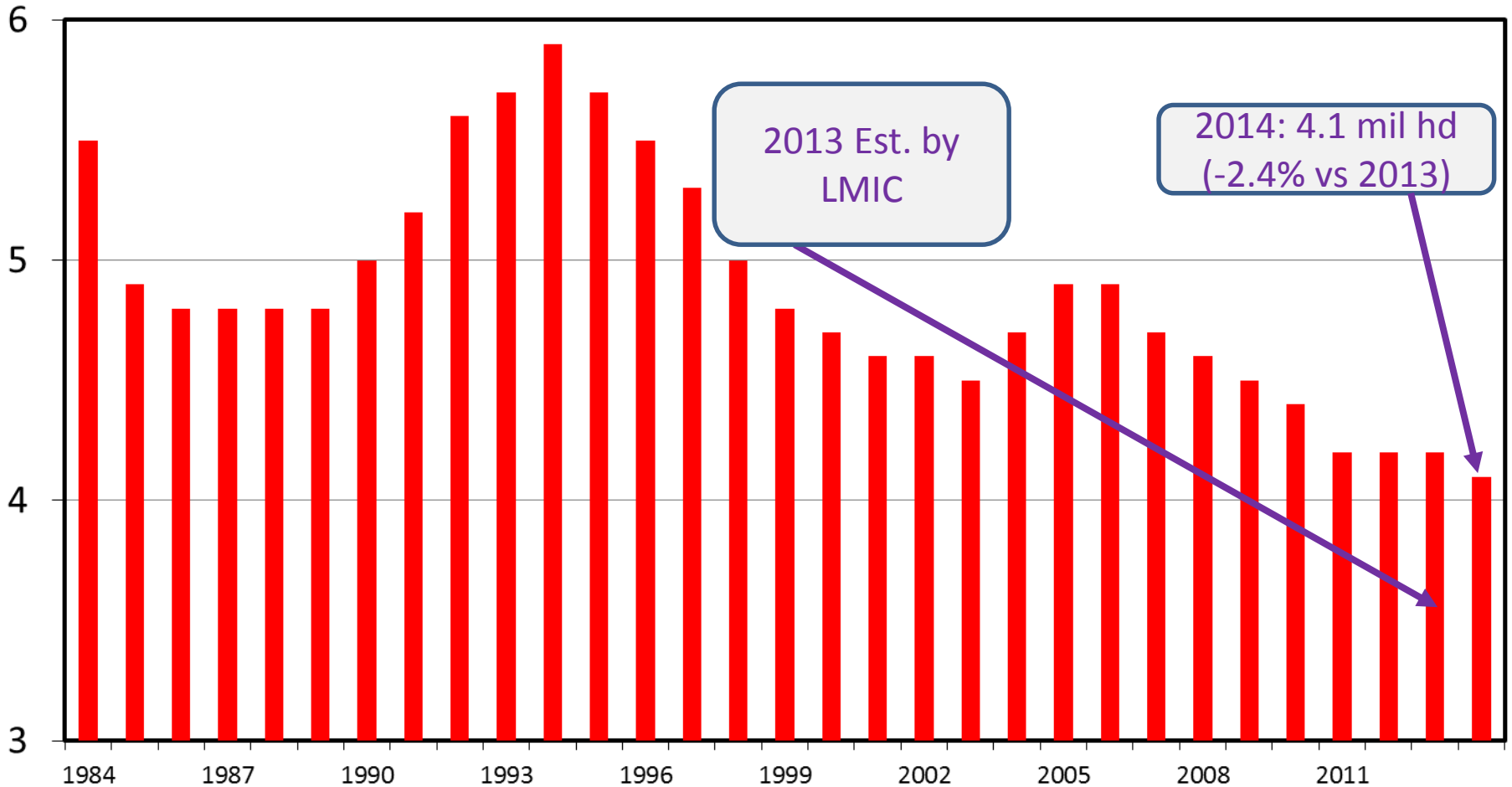
C-N-32

07/28/14

# HEIFERS HELD AS BEEF COW REPLACEMENTS

July 1, U.S.

Mil. Head



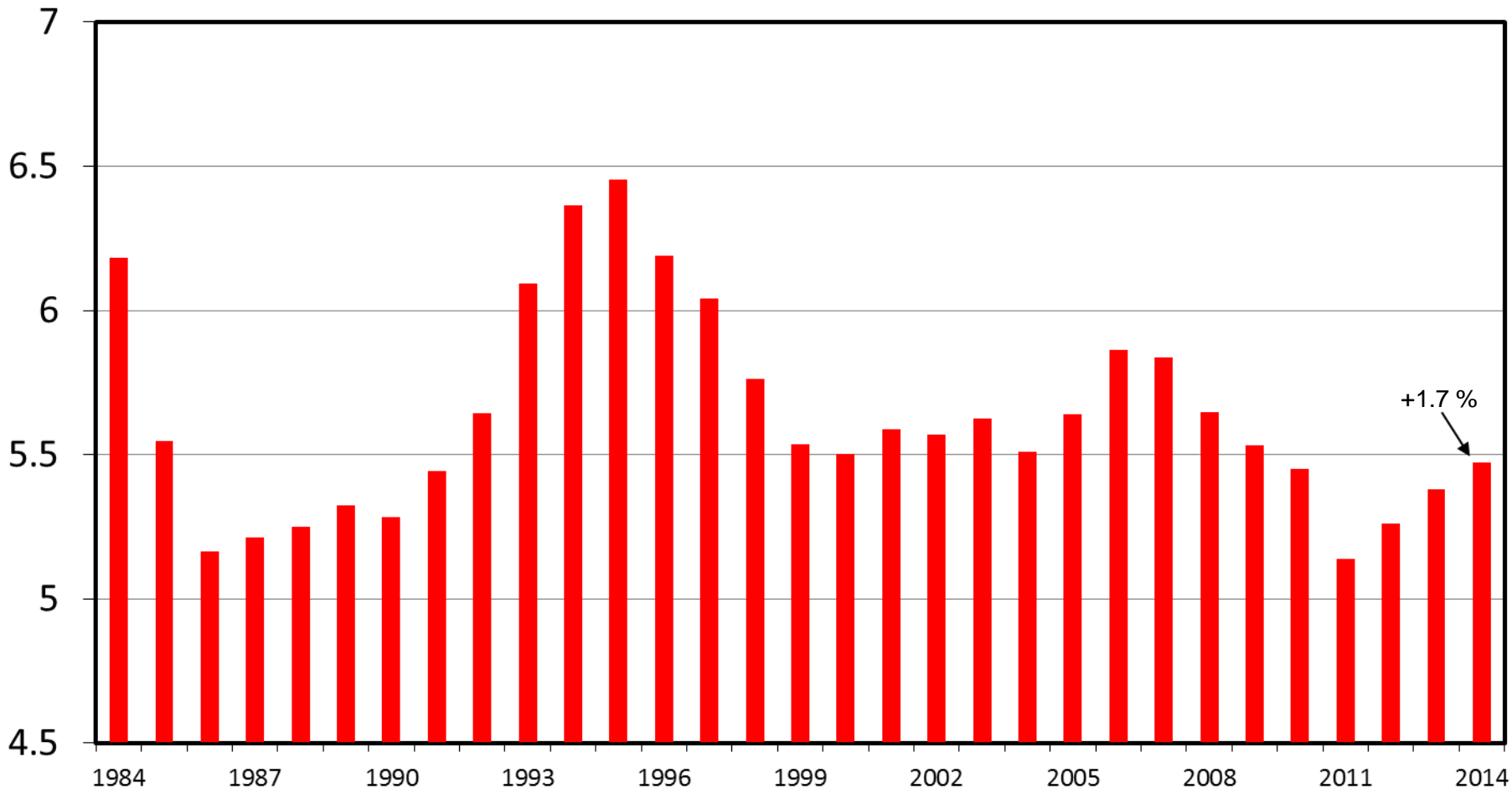
2013 Est. by LMIC

2014: 4.1 mil hd (-2.4% vs 2013)

# HEIFERS HELD AS BEEF COW REPLACEMENTS

January 1, U.S.

Mil. Head



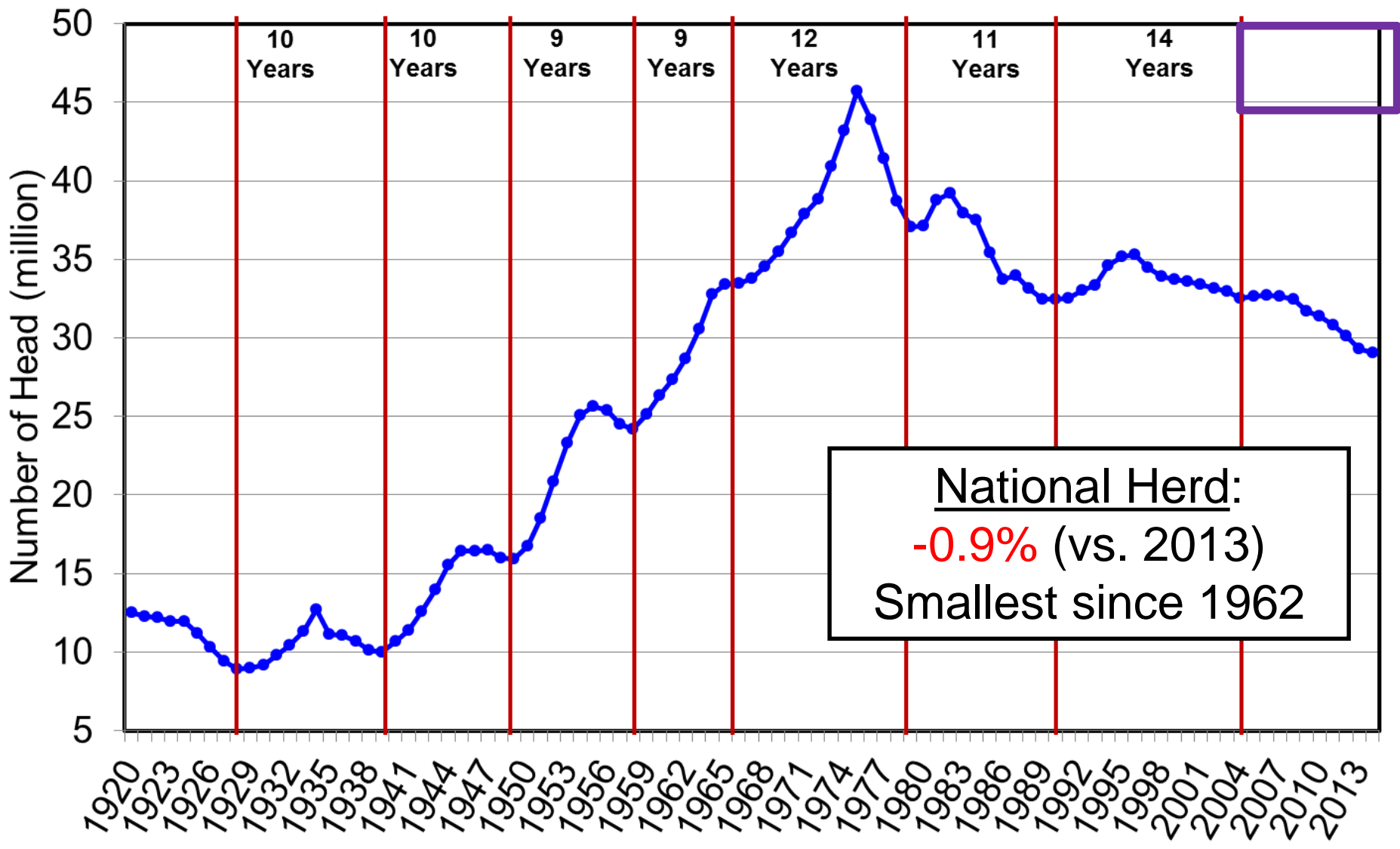
Data Source: USDA-NASS

Livestock Marketing Information Center

C-N-38  
07/28/14

Pending Expansion? – How Fast?, How Large?, How Long?...

# January 1 U.S. Beef Cow Inventory



# How Much Expansion? ERS & FAPRI Herd Projections

<http://www.ers.usda.gov/publications/oc-usda-agricultural-projections.aspx>

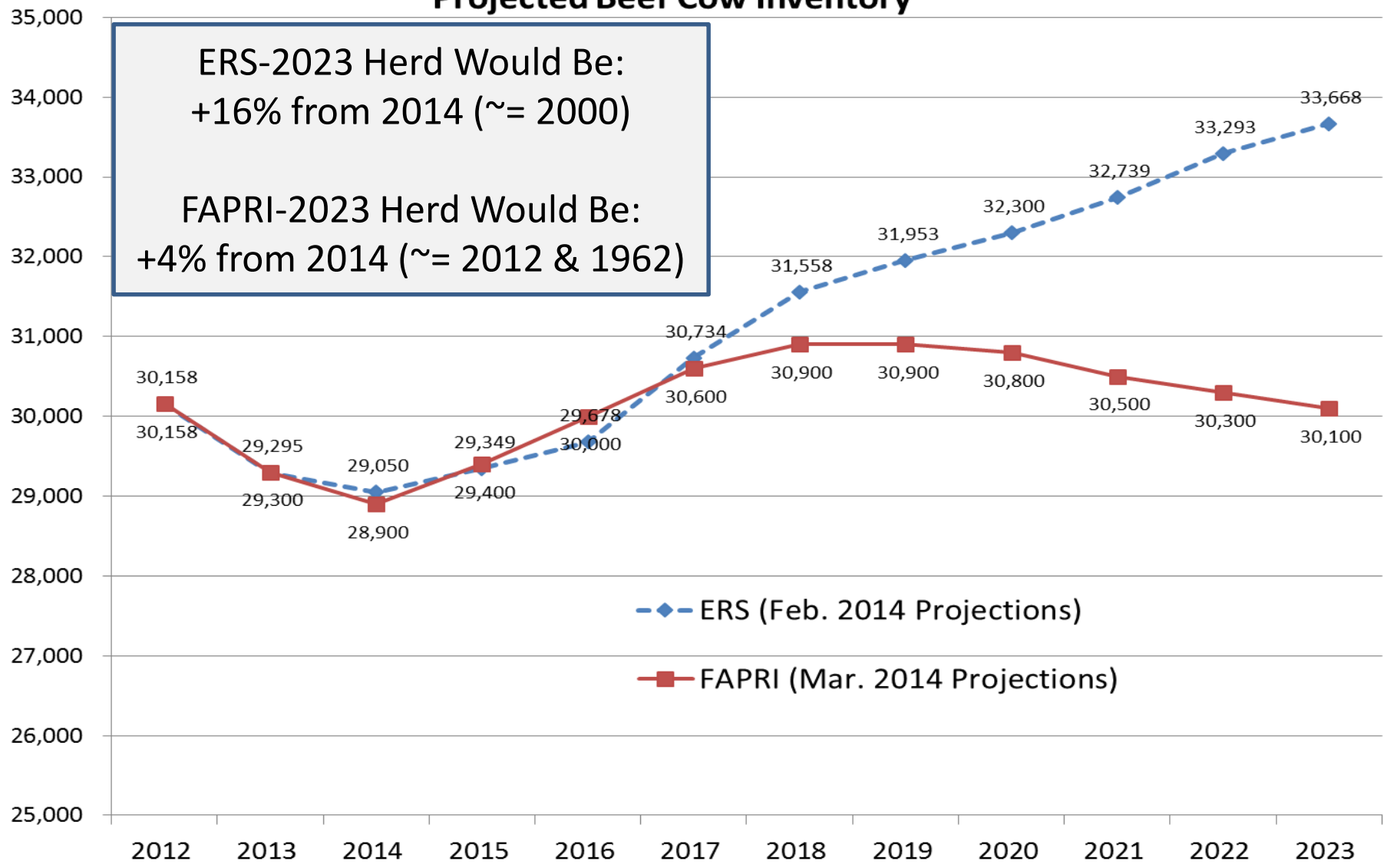
[http://www.fapri.missouri.edu/outreach/publications/2014/FAPRI MU Report 02 14.pdf](http://www.fapri.missouri.edu/outreach/publications/2014/FAPRI_MU_Report_02_14.pdf)

## Projected Beef Cow Inventory

ERS-2023 Herd Would Be:  
+16% from 2014 (~= 2000)

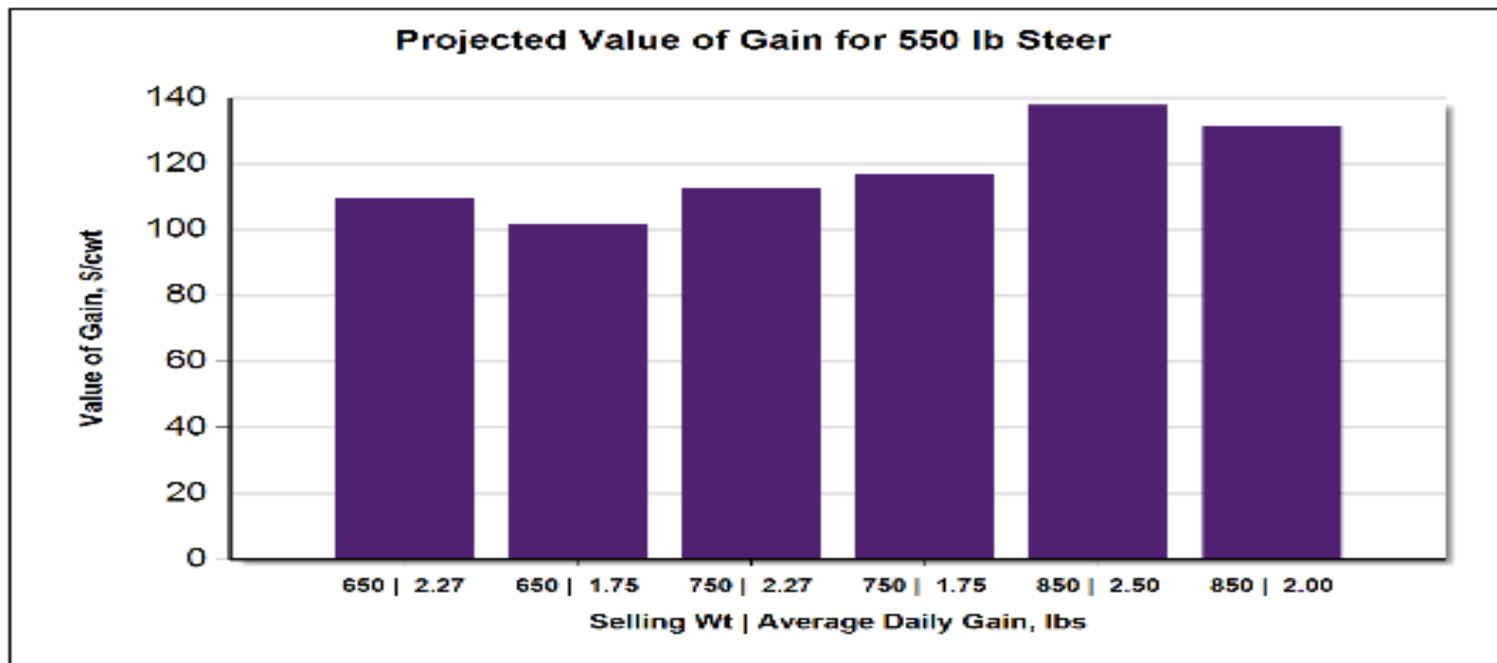
FAPRI-2023 Herd Would Be:  
+4% from 2014 (~= 2012 & 1962)

Beef Cow Inventory (1,000 head)



# Economic Outlook Overview: Stockers

- Attractive Values of Gain (VOG) vs. COG
  - For those in many stocker/backgrounding areas ...
  - Notably higher VOGs than feedlot COG projections...
- Salina, KS 8/21/14 situation:
  - Buy 550 lb steer on 9/17/14 (\$227.21)
  - Sell 750 lb steer on 12/24/14 (\$200.29) {2.02 ADG}
    - VOG: \$126.27/cwt
  - Sell 850 lb steer on 2/11/15 (\$194.29) {2.03 ADG}
    - VOG: \$133.95/cwt



Projected Value of Gain					
Beginning Weight, lbs	Ending Weight, lbs	Date	Weight Gain, lbs/hd	ADG, lbs	Value of Gain, \$/cwt
550	650	10/04/2014	100	2.27	\$109.44
550	650	10/17/2014	100	1.75	\$101.70
550	750	11/17/2014	200	2.27	\$112.40
550	750	12/13/2014	200	1.75	\$116.64
550	850	12/19/2014	300	2.50	\$137.78
550	850	01/18/2015	300	2.00	\$131.29

Note: Projections derived for the Salina, KS market using BeefBasis.com  
 Related information is available at: BeefBasis.com

8/21/2014



# Economic Outlook Overview: Feedlots

- 2014 to-date has been MUCH better than 2013
- Fed-cattle break-even prices rising rapidly...
- Excess capacity concerns persist:
  - Calf Crop, Heifer Retention, Plant Closures, & MCOOL...



# Historical and Projected Kansas Feedlot Net Return (as of 8/4/14')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturn>)

**June 14': +\$197/steer**

*(6<sup>th</sup> straight mo > \$125/steer – first sequence EVER)*

**Oct LC:**  
**8/21: \$145**  
**8/1: \$156**  
**7/1: \$155**  
**5/1: \$140**

**Table 1. Projected Values for Finishing Steers in Kansas Feedyards\***

Closeout Mo-Yr	Net Return	FCOG**	Fed Price	Feeder Price	Breakeven FCOG**	Breakeven Fed Price	Breakeven Feeder Price
Jul-14	364.86	87.04	157.54	164.05	145.29	131.61	210.78
Aug-14	258.09	87.75	156.33	169.66	132.23	138.35	199.83
Sep-14	230.09	87.47	155.67	173.24	126.40	139.47	200.99
Oct-14	63.99	86.83	156.76	191.26	98.26	152.26	198.67
Nov-14	-55.85	85.08	157.01	206.94	75.03	160.98	200.38
Dec-14	-72.98	84.23	155.09	211.35	72.41	160.08	202.72

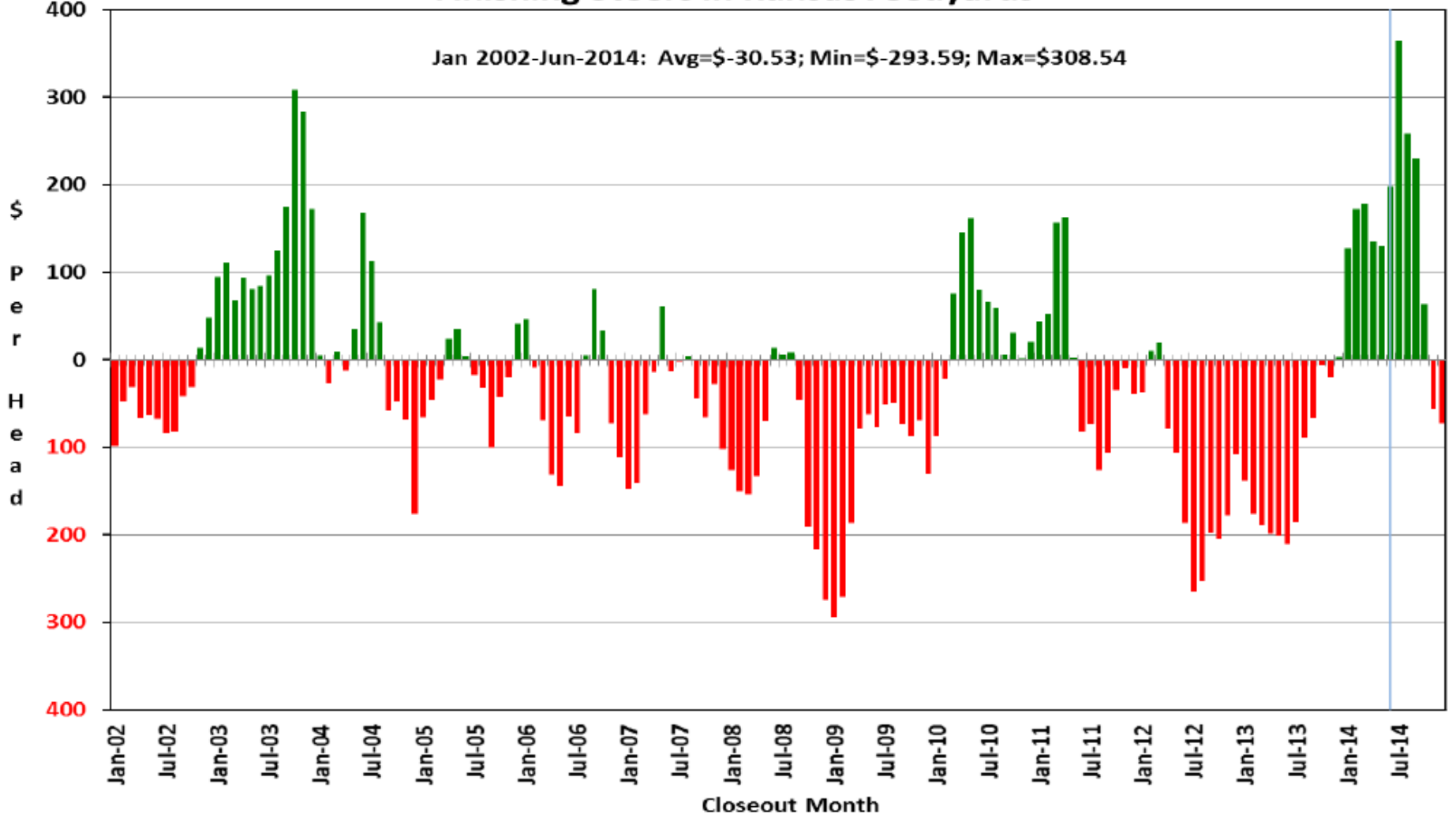
**Representative Barometer for Trends in Profitability**

# Historical and Projected Kansas Feedlot Net Returns

(as of 8/4/14')

(<http://www.agmanager.info/livestock/marketing/outlook/newsletters/FinishingReturns/default.asp>)

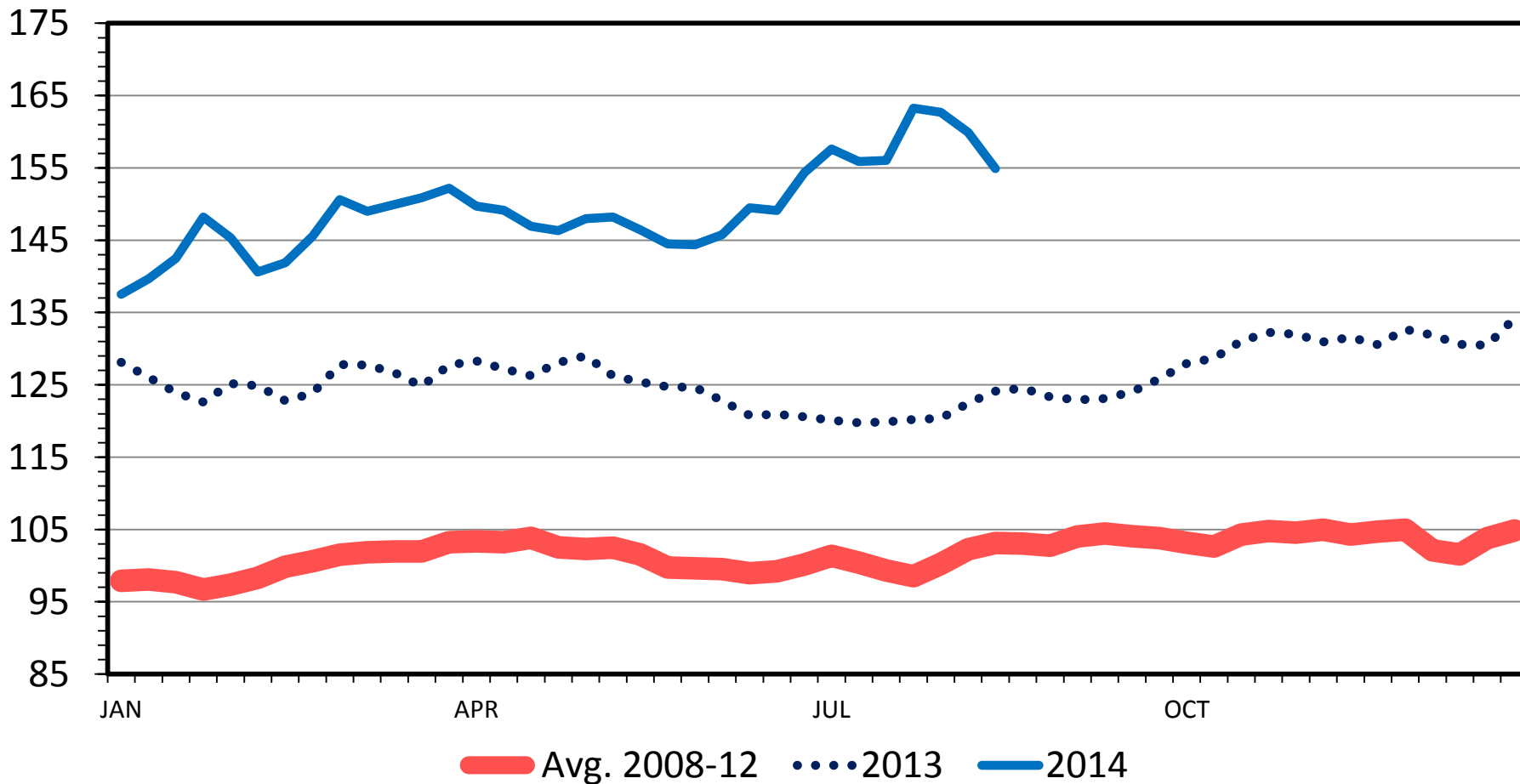
Figure 1. Historical & Projected Average Net Returns for Finishing Steers in Kansas Feedyards



# SLAUGHTER STEER PRICES

## 5 Market Weighted Average, Weekly

\$ Per Cwt.



Data Source: USDA-AMS

Livestock Marketing Information Center

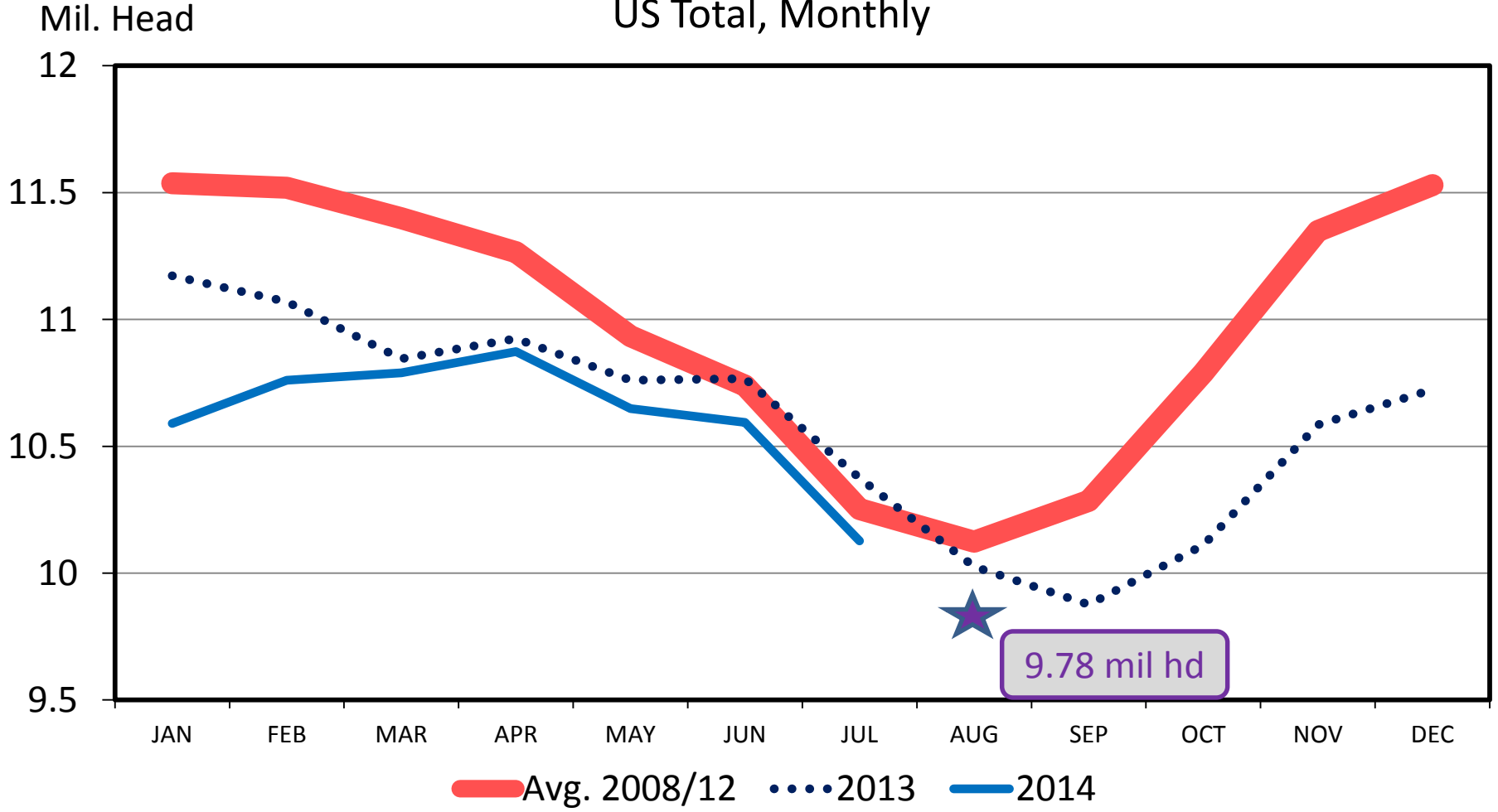
08/18/14

Pre- 8/22 COF Report Estimates:

On Feed Aug 1: **-2.4%** {-3.1% to -1.7%}

### CATTLE ON FEED

US Total, Monthly



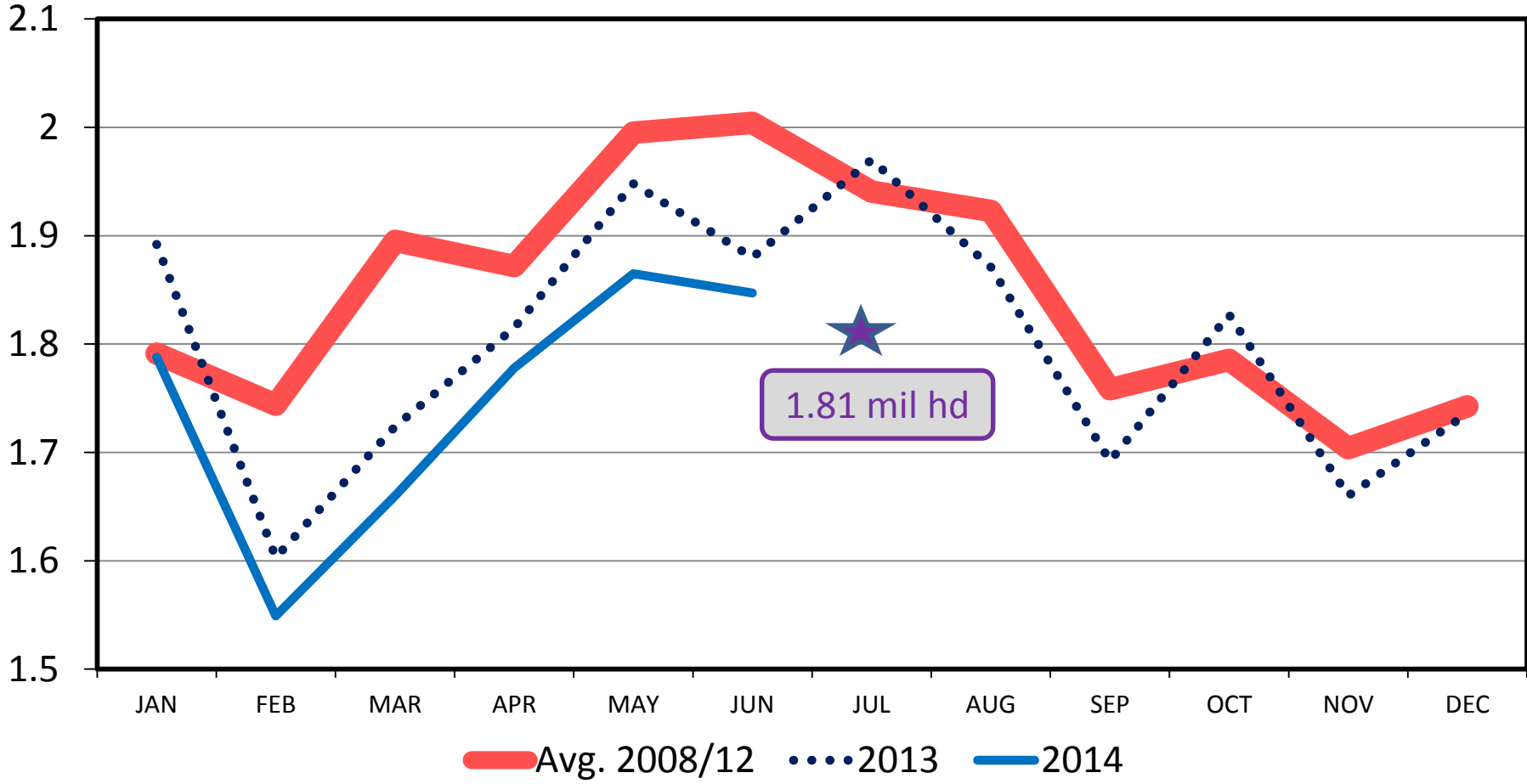
Pre- 8/22 COF Report Estimates:

Marketed in July: **-8.3%** {-9.0% to -7.6%}

### FED CATTLE MARKETINGS

US Total, Monthly

Mil. Head



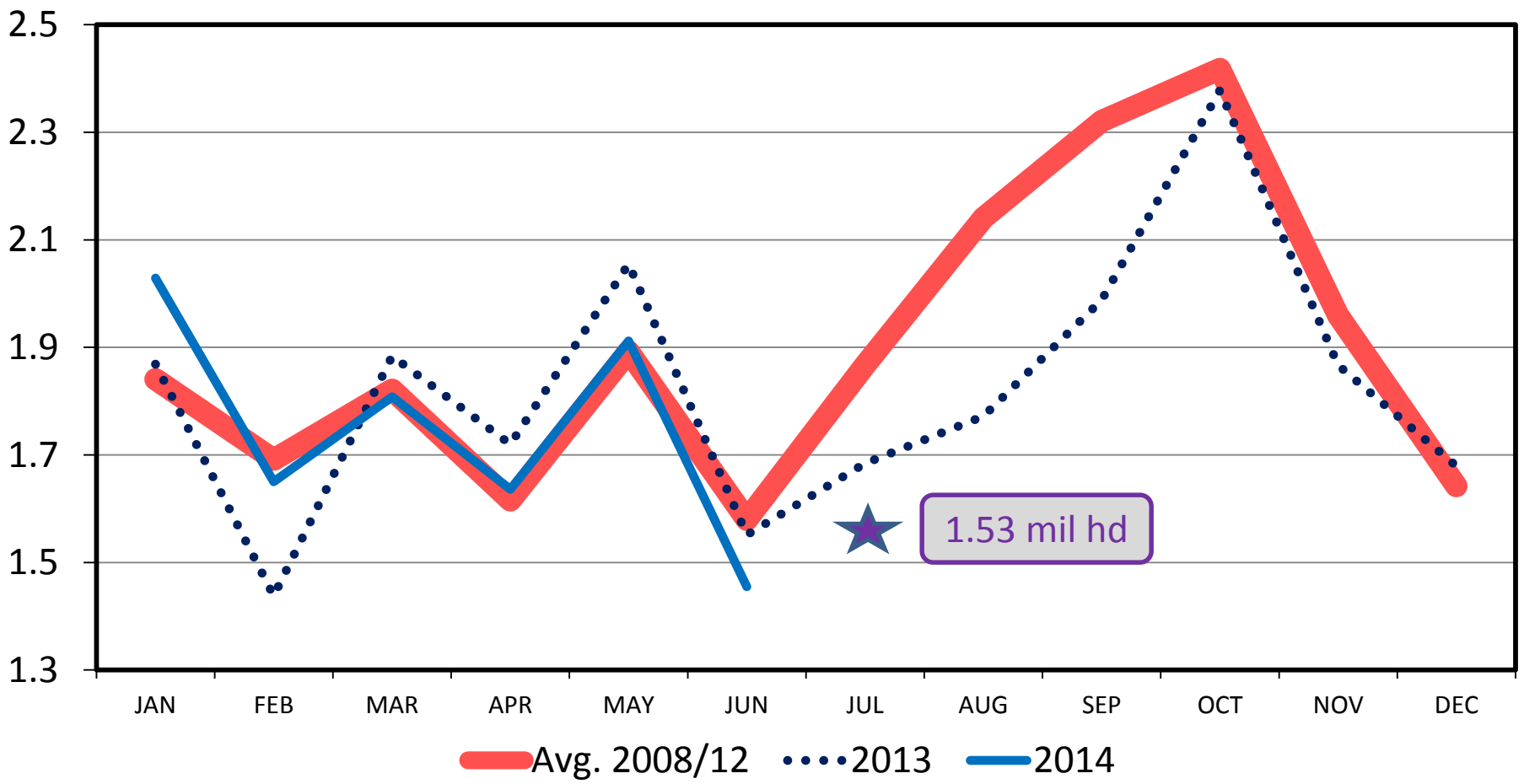
Pre- 8/22 COF Report Estimates:

Placed in July: **-9.1%** {-13.7% to -5.0%}

### FEEDLOT PLACEMENTS

US Total, Monthly

Mil. Head



★ 1.53 mil hd

# Quarterly Forecasts (LMIC: 8/5/14)

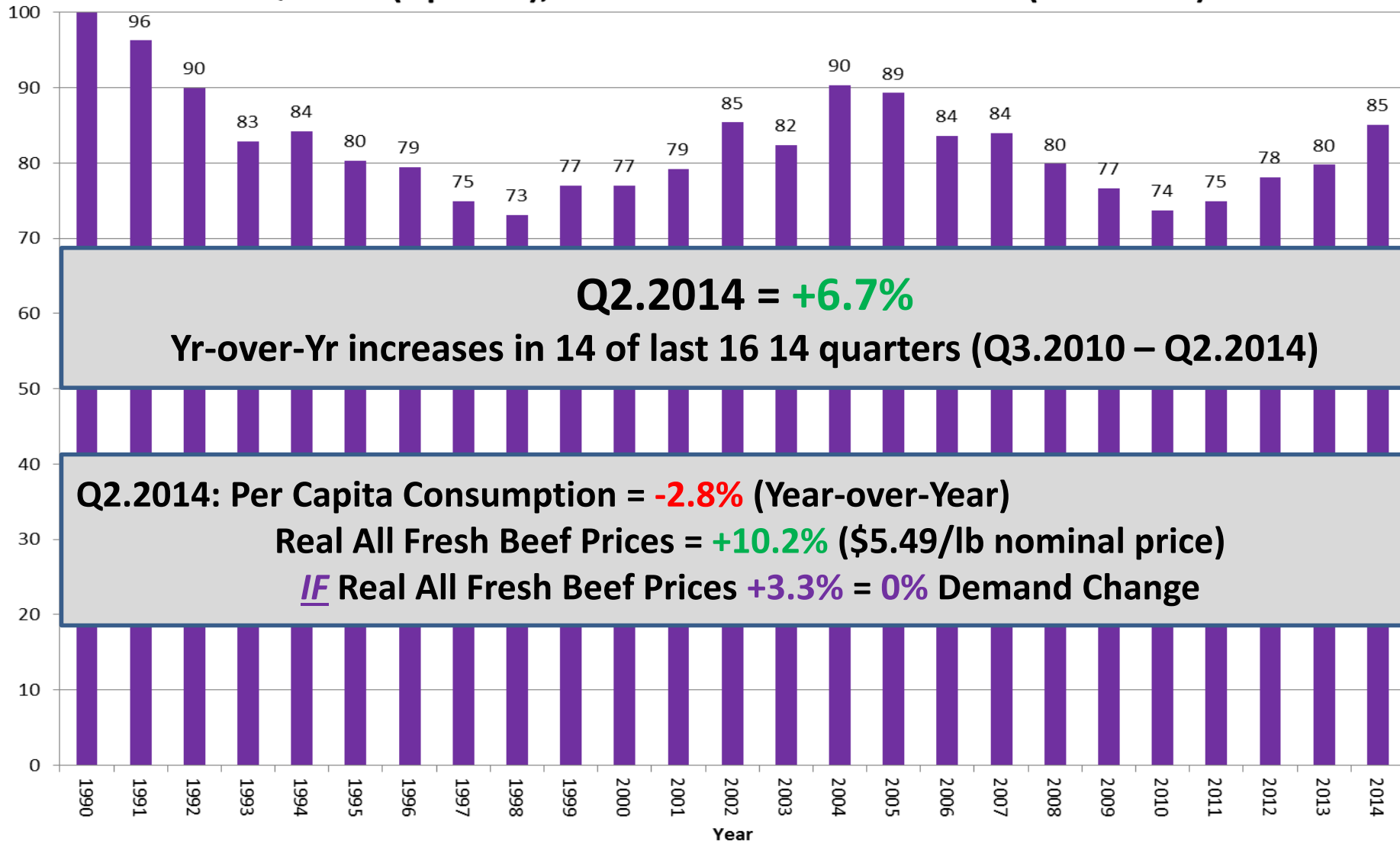
Year Quarter	Comm'l Slaughter	% Chg. from Year Ago	Average Dressed Weight	% Chg. from Year Ago	Comm'l Beef Production	% Chg. from Year Ago
2013						
I	7,781	-3.1	793.5	1.4	6,175	-1.7
II	8,325	0.2	782.4	0.4	6,513	0.6
III	8,321	-0.1	794.3	0.5	6,609	0.4
IV	8,035	-3.0	799.4	0.7	6,423	-2.3
Year	32,462	-1.5	792.3	0.7	25,720	-0.7
2014						
I	7,375	-5.2	795.7	0.3	5,868	-5.0
II	7,836	-5.9	789.0	0.9	6,183	-5.1
III	7,748	-6.9	801.4	0.9	6,209	-6.1
IV	7,629	-5.1	803.5	0.5	6,130	-4.6
Year	30,588	-5.8	797.4	0.6	24,391	-5.2
2015						
I	7,159	-2.9	800.9	0.7	5,734	-2.3
II	7,613	-2.8	793.2	0.5	6,039	-2.3
III	7,543	-2.6	807.1	0.7	6,088	-1.9
IV	7,526	-1.4	806.3	0.3	6,068	-1.0
Year	29,841	-2.4	801.9	0.6	23,929	-1.9

# Quarterly Forecasts (LMIC: 8/5/14)

	Live Sltr.	% Chg.	Feeder Steer Price	
Year	Steer Price	from	Southern Plains	
Quarter	5-Mkt Avg	Year Ago	7-800#	5-600#
<b>2013</b>				
I	125.51	0.2	142.41	170.13
II	124.95	3.3	137.34	159.71
III	122.30	2.2	155.95	171.19
IV	130.77	4.2	167.04	187.56
<b>Year</b>	<b>125.88</b>	<b>2.5</b>	<b>150.69</b>	<b>172.15</b>
<b>2014</b>				
I	146.34	16.6	171.77	209.30
II	147.82	18.3	193.16	227.67
III	156-158	28.4	219-222	244-249
IV	159-161	22.4	218-222	240-246
<b>Year</b>	<b>152-154</b>	<b>21.5</b>	<b>200-203</b>	<b>229-234</b>
<b>2015</b>				
I	158-162	9.3	217-223	245-252
II	157-162	7.9	221-229	250-259
III	154-160	0.0	219-228	251-261
IV	156-163	-0.3	213-224	246-258
<b>Year</b>	<b>157-161</b>	<b>3.9</b>	<b>221-225</b>	<b>250-256</b>



## 2nd Quarter (Apr-Jun), All Fresh Beef Demand Index (1990=100)



**Q2.2014 = +6.7%**  
**Yr-over-Yr increases in 14 of last 16 14 quarters (Q3.2010 – Q2.2014)**

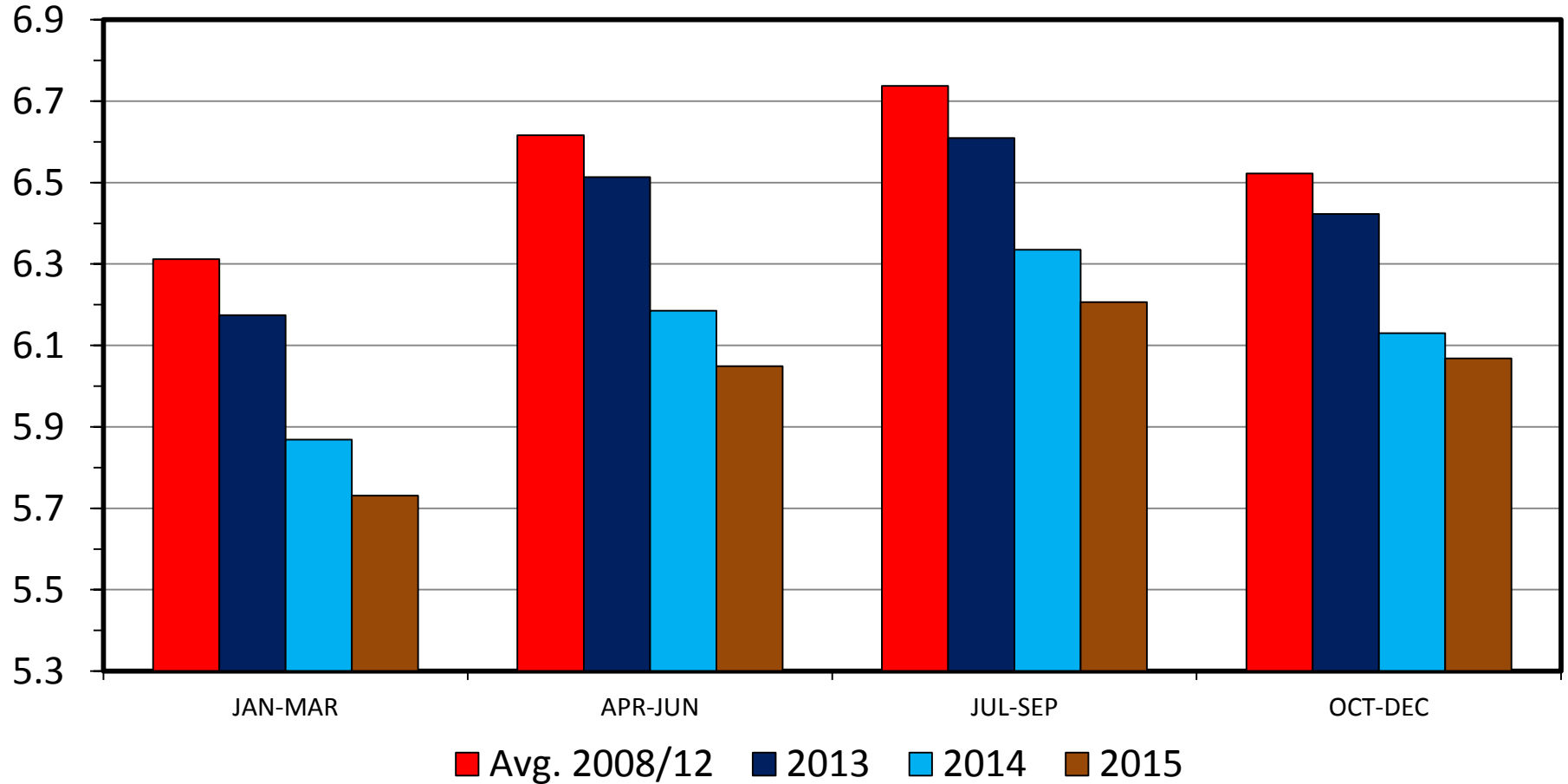
**Q2.2014: Per Capita Consumption = -2.8% (Year-over-Year)**  
**Real All Fresh Beef Prices = +10.2% (\$5.49/lb nominal price)**  
IF **Real All Fresh Beef Prices +3.3% = 0% Demand Change**

Source: Glynn T. Tonsor, Kansas State University, July 2014

# COMMERCIAL BEEF PRODUCTION

## Quarterly

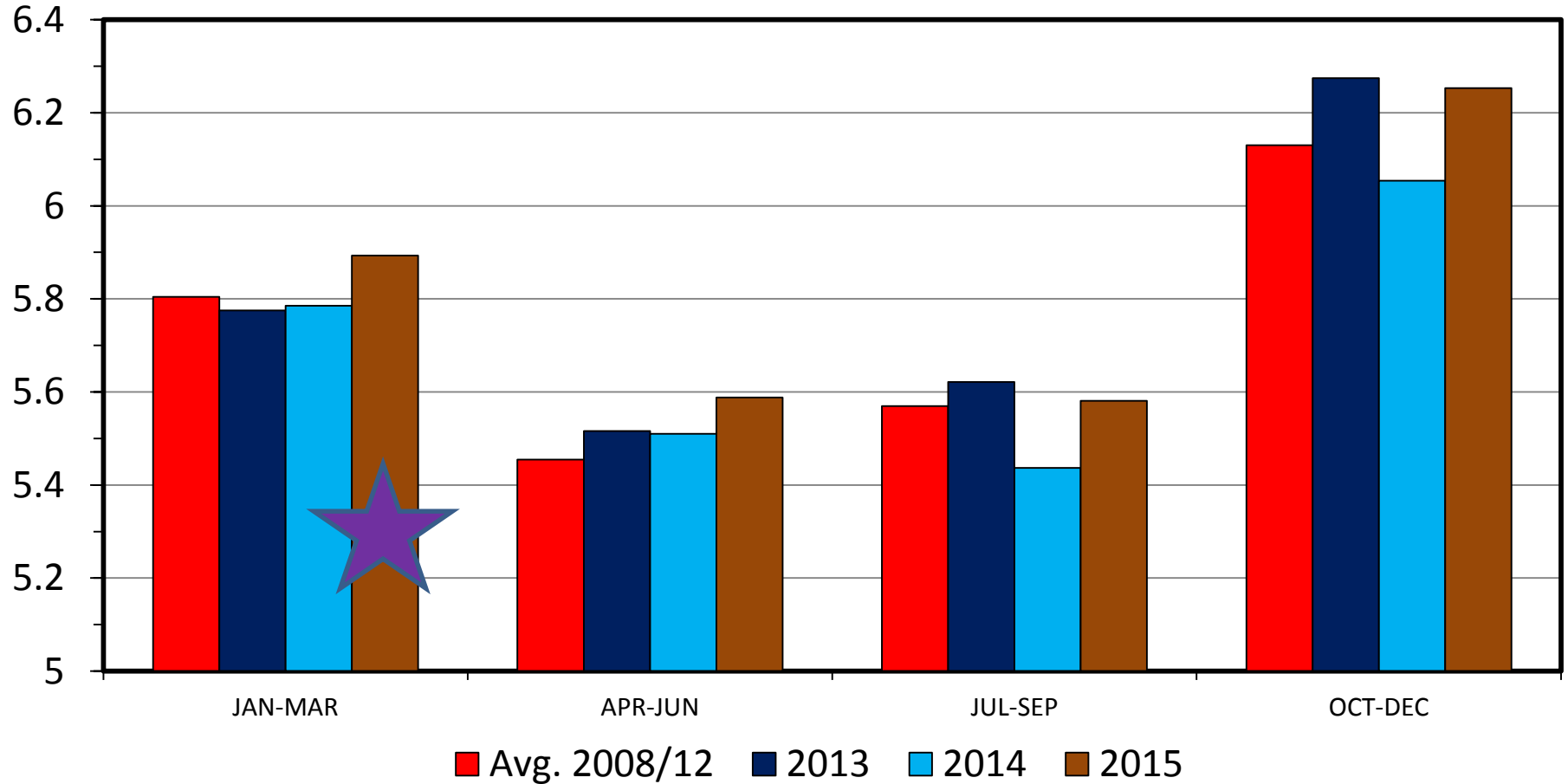
Bil. Pounds



# COMMERCIAL PORK PRODUCTION

## Quarterly

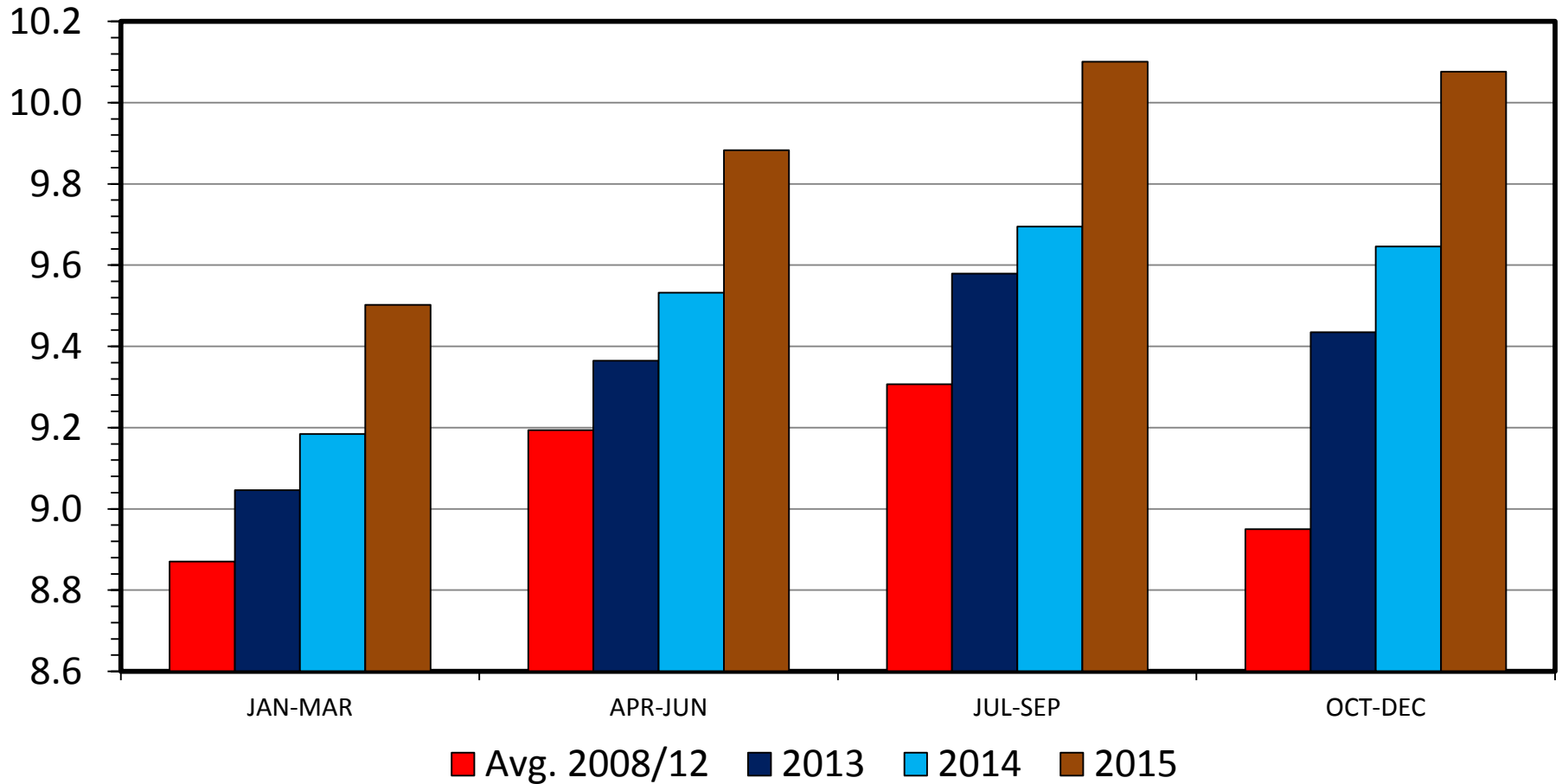
Bil. Pounds



# RTC BROILER PRODUCTION

## Quarterly

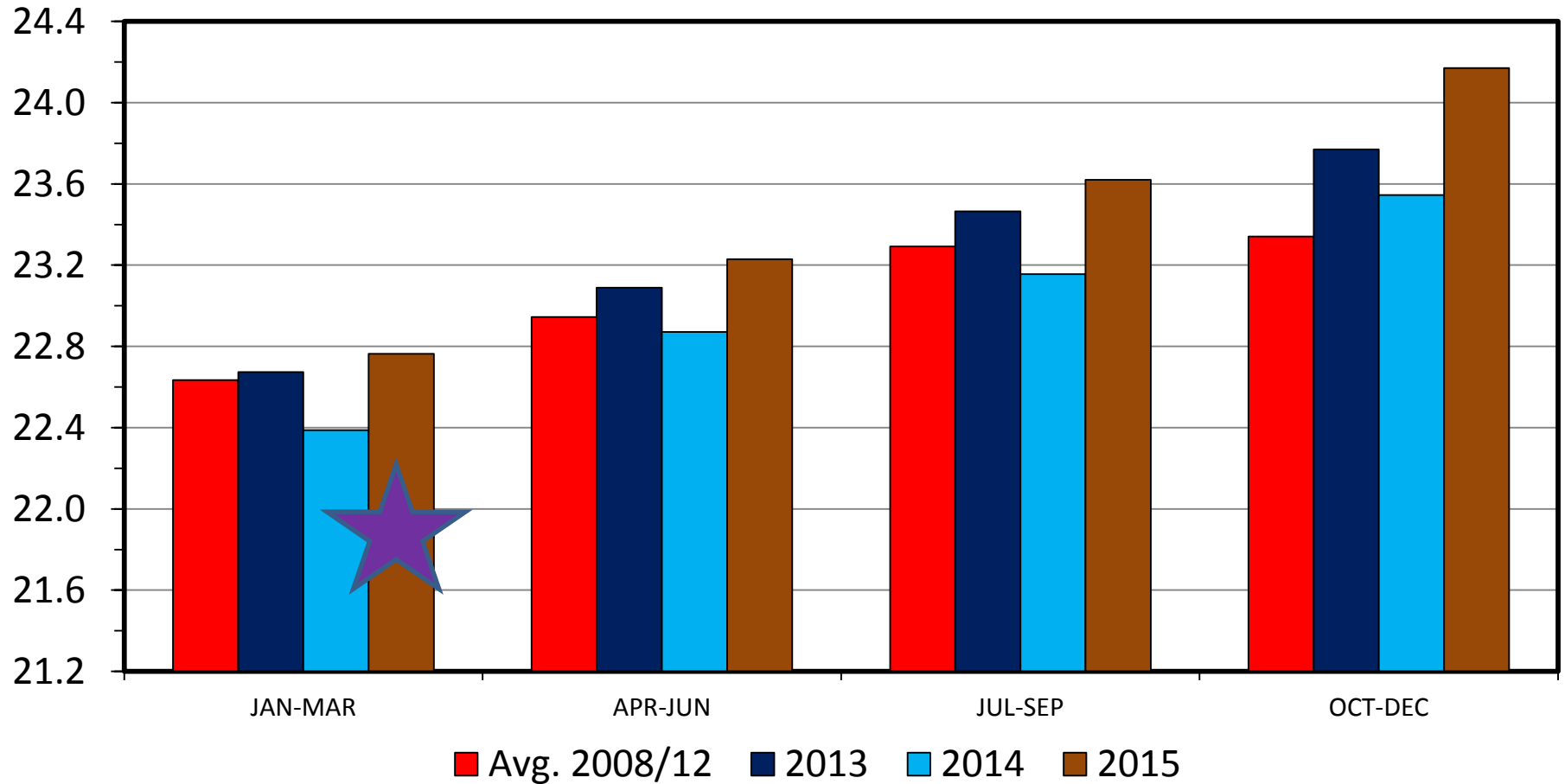
Bil. Pounds



# TOTAL RED MEAT & POULTRY PRODUCTION

## Quarterly

Bil. Pounds



# Take-Home Summary Points

- Tight meat & live animal supplies +
- Strong retail meat demand +
- Sound pastures & mixed expansion signals =
- Record:
  - Prices throughout industry
  - Cow-calf returns
  - Cash at-stake ...

More information available at:



This presentation will be available in PDF format at:

<http://www.agmanager.info/about/contributors/individual/tonsor.asp>

Glynn T. Tonsor  
Associate Professor  
Dept. of Agricultural Economics  
Kansas State University  
Email: [gtonsor@ksu.edu](mailto:gtonsor@ksu.edu)  
Twitter: @TonsorGlynn



TONSOR

Co-Presented by



Sponsored by



WEBINAR

**Beef-Cattle Economics**

## Beef-Cattle Economics webinar series

Series of quarterly webinars on beef-cattle markets and other industry-related issues.

Remaining 2014 session:

**November 11<sup>th</sup>**

For details about specific topics and registering for webinars see additional information on [AgManager.info](http://AgManager.info) AND <http://www.meetingplace.com/Industry/Webinars>



# Utilize a Wealth of Information Available at AgManager.info

## About AgManager.info

AgManager.info website is a comprehensive source of information, analysis, and decision-making tools for agricultural producers, agribusinesses, and others. The site serves as a clearinghouse for applied outreach information emanating from the Department of Agricultural Economics at Kansas State University. It was created by combining departmental and faculty sites as well as creating new features exclusive to the AgManager.info site. The goal of this coordination is to improve the organization of web-based material and allow greater access for agricultural producers and other clientele.



# Receive Weekly Email Updates for AgManager.Info

---

**Receive Weekly Email Updates for *AgManager.info*:**

Enter Email:

Submit Email

---

<http://www.AgManager.info/Evaluation/Email.htm>

